



The Importance of Pre-Combination M&A Capabilities

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Being able to actively build pre-combination M&A capabilities, ideally such that are differentiated from those of emerging competitors, implies sustainable competitive advantage

The primary message from this paper is that by putting strategic, financial and organizational considerations into the context of pre-combination organization, acquirers may enhance their overall success with acquisitions. Such pre-combination considerations are highly dependent on the quest for the integrated fit between the combining entities. Not least, the specific strategic intent of the acquirer (Bower, 2001) predisposes such interdependence.

The research objective outlined in this paper was to find out to what extent does pre-combination organization and related success factors contribute to M&A positively or negatively? Research findings explore relationship between pre-combination phase organization and the achievement level of predefined M&A objectives from the perspective of acquirer-buyer(s). Pre-combination phase preparation is under studied and appealing to M&A scholars and practitioners. It encompasses strategizing, scouting, assessing and selecting a partner, deal making and preparing for eventual combination (Marks and Mirvis, 2010: 53). Research indicates relevant groups of strategic, financial and organizational success factors in the context of pre-combination phase organization. Organized acquirers assess them and institutionalize them in formal M&A policies and protocols.

This research itself is the result of data gathered and analyzed from a large M&A case (asset management/insurance industry) where the intention was to fully integrate entities. Field research was conducted primarily on the territory of Slovenia. To explore relevant success factors that contributed to the achievement level of predefined M&A objectives, inductive, case oriented, qualitative research process was employed (Eisenhardt, 1989). A conceptual framework developed from this study is based on a case-specific strategic intent of the acquirer and related level of intended and realized integration fit. The research results show, that pre-combination M&A capabilities and related success factors positively contribute to overall success with acquisitions. Furthermore, in order to fully integrate entities and on a timely-project manner, not only hard (financial) but also soft (people) related success factors need to be considered and incorporated already in pre-combination organization.

Keywords: mergers and acquisitions, strategic, financial and organizational fit, pre-combination phase, distinctive M&A capabilities